



OPEN MEETING
MEMORANDUM

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Arizona Corporation Commission

DOCKETED

FEB 20 2007

TO: AZ CORP COMMISSION
DOCUMENT CONTROL

ORIGINAL

FROM: Utilities Division

DATE: February 20, 2007

DOCKETED BY	KK
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RE: APPLICATION TO RESET THE SOUTHWEST GAS CORPORATION DEMAND-SIDE MANAGEMENT ADJUSTOR RATE FOR APRIL 2007 THROUGH MARCH 2008 (DOCKET NO. G-01551A-07-0072)

Commission Decision No. 60352 (August 29, 1997) created the demand-side management ("DSM") adjustor mechanism, whereby Southwest Gas Corporation ("Southwest") files by the end of January each year with Staff to reset the DSM adjustor rate on April 1st of each year. Pursuant to the DSM adjustor mechanism, Southwest filed a request with Staff on January 31, 2007, to reset the DSM adjustor rate to \$0.00176 per therm, effective for the April 2007 through March 2008 billing cycles.

The current DSM adjustor rate is \$0.00094 per therm, effective through March 2007. In Decision No. 68487 (February 23, 2006), the Commission approved increasing Southwest's DSM spending level to \$4,385,000 annually, a significant DSM spending increase. In this Decision, the Commission also ordered that the DSM adjustor rate be applied to all full margin customers. On June 26, 2006, Southwest filed DSM program descriptions for programs that it is seeking pre-approval of by the Commission. Staff is currently processing Southwest's DSM program filings. Southwest's filing in this proceeding projects total DSM spending of \$1,210,000 during 2007. This represents the expected phasing in of a number of new DSM programs in 2007 as well as the continued funding of existing programs. While it is unclear exactly how much Southwest will spend on DSM in 2007 due to the introduction of a number of new programs that require Commission approval, Staff believes that Southwest's estimate of spending \$1,210,000 in 2007 is a reasonable estimate for the purpose of setting the DSM adjustor in this proceeding. As of the end of December 2006, the DSM adjustor bank balance was over-collected by \$10,908. To the extent Southwest's actual DSM spending in 2007 is higher or lower than this estimate, such higher or lower spending would be reflected when the DSM adjustor rate is reset in 2008.


Staff has reviewed Southwest's January 31, 2007 filing requesting the DSM adjustor rate to be reset at \$0.00176 per therm. Staff has also reviewed supporting materials and has had discussions with Southwest regarding its proposed new DSM adjustor rate. For a residential customer using the January (normally, the peak use month for Southwest) 2006 average of 42 therms, the proposed DSM adjustor would increase their monthly bill by approximately \$0.07.

THE COMMISSION

February 20, 2007

Page 2

Staff recommends approval of a DSM adjustor rate of \$0.00176 per therm for Southwest, applicable to the April 2007 through March 2008 billing cycles.

A handwritten signature in black ink, appearing to read 'E. G. Johnson', with a long horizontal stroke extending to the right.

Ernest G. Johnson

Director

Utilities Division

EGJ:RGG:lhmm\MAS

ORIGINATOR: Robert G. Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER
 Chairman
3 WILLIAM A. MUNDELL
 Commissioner
4 MIKE GLEASON
 Commissioner
5 KRISTIN K. MAYES
 Commissioner
6 GARY PIERCE
 Commissioner

8 IN THE MATTER OF THE APPLICATION
9 OF SOUTHWEST GAS CORPORATION
10 FOR APPROVAL OF A REVISED
11 DEMAND-SIDE MANAGEMENT
12 ADJUSTOR RATE FOR APRIL 2007
13 THROUGH MARCH 2008

DOCKET NO. G-01551A-07-0072
DECISION NO. _____
ORDER

14 Open Meeting
15 March 13 and 14, 2007
16 Phoenix, Arizona

16 BY THE COMMISSION:

17 FINDINGS OF FACT

- 18 1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas
19 service within portions of Arizona, pursuant to authority granted by the Arizona Corporation
20 Commission ("Commission").
- 21 2. Commission Decision No. 60352 (August 29, 1997) created the demand-side
22 management ("DSM") adjustor mechanism, whereby Southwest files by the end of January each
23 year with Staff to reset the DSM adjustor rate on April 1st of each year.
- 24 3. Pursuant to the DSM adjustor mechanism, Southwest filed a request with Staff on
25 January 31, 2007, to reset the DSM adjustor rate to \$0.00176 per therm, effective for the April
26 2007 through March 2008 billing cycles.
- 27 4. The current DSM adjustor rate is \$0.00094 per therm, effective through March
28 2007.

5. In Decision No. 68487 (February 23, 2006), the Commission approved increasing Southwest's DSM spending level to \$4,385,000 annually, a significant DSM spending increase. In this Decision, the Commission also ordered that the DSM adjustor rate be applied to all full margin customers. On June 26, 2006, Southwest filed DSM program descriptions for programs that it is seeking pre-approval of by the Commission. Staff is currently processing Southwest's DSM program filings.

6. Southwest's filing in this proceeding projects total DSM spending of \$1,210,000 during 2007. This represents the expected phasing in of a number of new DSM programs in 2007 as well as the continued funding of existing programs.

7. While it is unclear exactly how much Southwest will spend on DSM in 2007 due to the introduction of a number of new programs that require Commission approval, Staff believes that Southwest's estimate of spending \$1,210,000 in 2007 is a reasonable estimate for the purpose of setting the DSM adjustor in this proceeding.

8. As of the end of December 2006, the DSM adjustor bank balance was over-collected by \$10,908. To the extent Southwest's actual DSM spending in 2007 is higher or lower than this estimate, such higher or lower spending would be reflected when the DSM adjustor rate is reset in 2008.

9. Staff has reviewed Southwest's January 31, 2007 filing requesting the DSM adjustor rate to be reset at \$0.00176 per therm. Staff has also reviewed supporting materials and has had discussions with Southwest regarding its proposed new DSM adjustor rate.

10. For a residential customer using the January 2006 average of 42 therms, the proposed DSM adjustor would increase their monthly bill by approximately \$0.07.

11. Staff has recommended approval of a DSM adjustor rate of \$0.00176 per therm for Southwest, applicable to the April 2007 through March 2008 billing cycles.

CONCLUSIONS OF LAW

1. Southwest is an Arizona public service corporation with the meaning of Article XV, Section 2, of the Arizona Constitution.

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2. The Commission has jurisdiction over Southwest and over the subject matter of this application.

3. The Commission, having reviewed the application and Staff's Memorandum dated February 20, 2007, concludes that it is in the public interest to approve a DSM adjustor rate of \$0.00176 per therm for the April 2007 through March 2008 billing cycles.

ORDER

IT IS THEREFORE ORDERED that Southwest' DSM adjustor rate be set at \$0.00176 per therm for the April 2007 through March 2008 billing cycles.

IT IS FURTHER ORDERED that this Order shall be effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:RGG:lbm\MAS

Decision No. _____

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2 DOCKET NO. G-01551A-07-0072

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